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**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/30/08

**P&N** Postlethwaite  
& Netterville

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**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

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### **Independent Auditors' Report**

To the Board of Directors  
Arts Council of New Orleans

We have audited the accompanying statement of financial position of the Arts Council of New Orleans (ACNO - a Louisiana nonprofit corporation), as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of ACNO's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACNO's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Arts Council of New Orleans, as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008 on our consideration of ACNO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of support and expenses for state and passed through grants and the summarized financial information for 2006 included on pages 3 and 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Postlethwaite + Netterville*

Metairie, Louisiana  
June 30, 2008

**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2007**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2006**

	<b><u>ASSETS</u></b>				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b><u>CURRENT ASSETS</u></b>					
Cash	\$ 114,295	\$ 693,594	\$ -	\$ 807,889	\$ 720,812
Investments	2,399	-	-	2,399	2,186
Grants and pledges receivable	105,100	107,556	-	212,656	164,995
Deposit	615	-	-	615	-
Total current assets	222,409	801,150	-	1,023,559	887,993
<b><u>NON-CURRENT ASSETS</u></b>					
Investments	-	-	497,544	497,544	469,429
Due from Louisiana Artists Guild, net of allowance of \$1,488,790 in 2007 and \$1,577,507 in 2006	17,179	-	-	17,179	-
Art collection	26,452	-	-	26,452	26,452
Equipment, Furniture and Fixtures, net of accumulated depreciation of \$186,536 and \$190,608, respectively in 2007 and 2006	248,120	-	-	248,120	250,917
<b><u>TOTAL ASSETS</u></b>	<u>\$ 514,160</u>	<u>\$ 801,150</u>	<u>\$ 497,544</u>	<u>\$ 1,812,854</u>	<u>\$ 1,634,791</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b><u>CURRENT LIABILITIES</u></b>					
Refundable advances	\$ -	\$ 301,741	\$ -	\$ 301,741	\$ 385,038
Grants payable	211,623	-	-	211,623	374,110
Accrued expenses	58,236	-	-	58,236	174,143
Notes payable	-	-	-	-	38,955
Total current liabilities	269,859	301,741	-	571,600	972,246
<b><u>NOTES PAYABLE, LESS CURRENT PORTION</u></b>	500,000	-	-	500,000	500,000
<b><u>NET ASSETS (DEFICIT)</u></b>	<u>(255,699)</u>	<u>499,409</u>	<u>497,544</u>	<u>741,254</u>	<u>162,545</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>\$ 514,160</u>	<u>\$ 801,150</u>	<u>\$ 497,544</u>	<u>\$ 1,812,854</u>	<u>\$ 1,634,791</u>

The accompanying notes are an integral part of this financial statement.

**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
<b><u>REVENUE, GAINS AND OTHER SUPPORT</u></b>					
Contracts	\$ 35,000	\$ 80,000	\$ -	\$ 115,000	\$ 332,770
Grants	305,068	657,129	-	962,197	787,307
Contributions	253,437	664,063	-	917,500	479,043
Investment and interest income	58,649	2,889	28,115	89,653	89,093
Other income	137,347	-	-	137,347	40,940
Total revenue, gains and other support	<u>789,501</u>	<u>1,404,081</u>	<u>28,115</u>	<u>2,221,697</u>	<u>1,729,153</u>
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b>	<u>945,524</u>	<u>(945,524)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>EXPENSES</u></b>					
Grant programs	835,751	-	-	835,751	978,672
Public art programs	153,448	-	-	153,448	108,052
Arts Business Center	143,800	-	-	143,800	63,095
Louisiana Artists Guild	36,520	-	-	36,520	124,274
Advocacy	1,603	-	-	1,603	870
Development/fundraising	194,751	-	-	194,751	238,493
New Orleans Fun Guide	229,704	-	-	229,704	-
Other	47,411	-	-	47,411	41,032
Total expenses	<u>1,642,988</u>	<u>-</u>	<u>-</u>	<u>1,642,988</u>	<u>1,554,488</u>
<b><u>CHANGE IN NET ASSETS</u></b>	<u>92,037</u>	<u>458,557</u>	<u>28,115</u>	<u>578,709</u>	<u>174,665</u>
<b><u>NET ASSETS (DEFICIT) AT BEGINNING OF YEAR</u></b>	<u>(347,736)</u>	<u>40,852</u>	<u>469,429</u>	<u>162,545</u>	<u>(12,120)</u>
<b><u>NET ASSETS (DEFICIT) AT END OF YEAR</u></b>	<u>\$ (255,699)</u>	<u>\$ 499,409</u>	<u>\$ 497,544</u>	<u>\$ 741,254</u>	<u>\$ 162,545</u>

The accompanying notes are an integral part of this financial statement.

**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 578,709	\$ 174,665
Depreciation	7,210	31,998
Unrealized gain on investments	(12,122)	(31,113)
Forgiveness of debt	-	(7,975)
Contribution of non-cash assets	-	(1,020)
Changes in operating assets and liabilities		
Grants and pledges receivable	(64,840)	50,883
Deposits	(615)	-
Refundable advances	(83,297)	(69,009)
Grants payable	(162,487)	(260,279)
Accrued expenses	(115,908)	(101,277)
Net cash provided by (used in) operating activities	<u>146,651</u>	<u>(213,127)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Acquisition of equipment, furniture and fixtures	(4,432)	(25,585)
Retirement of assets	20	-
Sale of investment securities	18,881	17,427
Purchase of investments	(35,088)	(22,172)
Net cash used in investing activities	<u>(20,619)</u>	<u>(30,330)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Payments on notes payable	(38,955)	(10,136)
Net cash used in financing activities	<u>(38,955)</u>	<u>(10,136)</u>
 <b><u>INCREASE (DECREASE) IN CASH</u></b>	 87,077	 (253,593)
<b><u>CASH AT BEGINNING OF YEAR</u></b>	<u>720,812</u>	<u>974,405</u>
<b><u>CASH AT END OF YEAR</u></b>	<u>\$ 807,889</u>	<u>\$ 720,812</u>
 <b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u></b>		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ 1,589</u>

The accompanying notes are an integral part of this statement.



**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Organization and Operations**

The Arts Council of New Orleans (ACNO), a nonprofit organization, is the City of New Orleans' officially designated arts agency. ACNO was formed in 1981 as a result of a merger of the Arts Council of Greater New Orleans and the Mayor's Committee for Arts and Cultural Development. ACNO's efforts are directed toward enhancing the cultural and artistic environment in the New Orleans metropolitan area.

**2. Summary of Significant Accounting Policies**

**Method of Accounting**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Description of Net Assets Classification**

Financial Accounting Standards Board (FASB) Statement No. 117 entitled "Financial Statements of Not-For-Profit Organizations" requires net assets and changes in net assets to be reported in three classifications – permanently restricted, temporarily restricted and unrestricted – based on the existence or absence of donor imposed restrictions. ACNO reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities. ACNO records contributions with donor-imposed conditions as refundable advances.

**Gifts, Grants, and Bequests**

Gifts, grants, and bequests are recorded as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of benefits received. Non-cash gifts, grants, and bequests are recorded as revenue at the fair market value at the date contributed, if an objective valuation is determinable.

**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Allowance for Uncollectible Accounts**

ACNO provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable account. The allowance for uncollectible accounts was \$1,488,790 at December 31, 2007.

**Donated Services**

Volunteers have given extensive amounts of time and services to ACNO. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition. In-kind contributions received by ACNO were not material in 2007 and 2006.

**Allocation of Overhead**

Professional and technical fees, supplies, office rent, utilities, telephone, and other administrative expenditures are allocated to projects based upon staff hours of the project.

**Investments**

Investments are carried at fair value based on quoted market value.

**Interest Income**

Interest income is allocated to restricted programs to fund certain costs when specifically required by applicable contracts or grants.

**Depreciation of Equipment, Furniture and Fixtures**

ACNO's equipment, furniture and fixtures consist of office equipment and furnishings which are being depreciated utilizing the straight-line method over their useful lives of three to five years. Depreciable assets are valued at their cost if purchased or their estimated fair value at the time of donation if contributed.

**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Concentration of Credit Risk**

Financial instruments that potentially expose ACNO to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution.

ACNO had cash deposits in excess of federally insured limits at a local institution totaling \$847,046 at December 31, 2007.

**Income Taxes**

ACNO is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

**Contributed Artwork**

ACNO has paintings and sculptures on display in its offices. This artwork is recorded at its appraised value at the time of donation.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, ACNO considers all investments with an original maturity of ninety days or less to be cash equivalents.

**3. Investments**

ACNO maintains several endowment funds at the Greater New Orleans Foundation. These funds are in an investment pool managed by the Greater New Orleans Foundation. Annually, the Greater New Orleans Foundation determines the amounts available for distribution. Of the four funds held at the Greater New Orleans Foundation, three of the funds are classified as permanently restricted and one fund is unrestricted. Currently, the amount available for distribution in the permanently restricted funds is equal to 5% of the previous twelve quarters average fund balance. Any unexpended income is reinvested in the funds. The investments are classified on the statement of financial position as follows:

Unrestricted	\$ 2,399
Permanently restricted	497,544
	<u>\$ 499,943</u>

**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Investments (continued)**

Investment income consists of the following for the year ended December 31, 2007:

Interest income	\$ 44,857
Investment income reinvested	35,089
Unrealized gain on securities	12,122
Investment fees	(2,415)
	<u>\$ 89,653</u>

**4. Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2007:

Joan Mitchell Foundation for support of the Sculpture Project	\$ 350,000
Various decentralized grants	105,904
Stern Fund for an artist to work in schools, recreation, elderly centers	38,805
Welch funds for the use of services and resources by and for artists for the community in future years	4,700
	<u>\$ 499,409</u>

The Joan Mitchell Foundation contribution is designated for commissions up to ten artists affected by the Gulf Coast Hurricanes of 2005, to create and temporarily install works of art in the public venue. Each of the ten commissions will be for \$25,000. The remaining \$100,000 covers administration and additional project costs.

Included in the \$114,295 of unrestricted cash is, \$105,720 of cash designated for current grants payable committed to as of December 31, 2007.

Permanently restricted net assets consist of endowment fund assets held indefinitely by the Greater New Orleans Foundation. The Greater New Orleans Foundation uses the total return basis and annually ACNO receives 5% of the investment's average fair value for the prior twelve quarters. The income from these funds is expendable as stipulated by the donor.

**5. Lease Obligations**

On December 17, 2007 the ACNO renewed the operating lease agreement to lease office space. The extension was through June 30, 2008. Minimum lease payments of \$13,500 are due in 2008.

**ARTS COUNCIL OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. Notes Payable**

ACNO has financed the purchase of fundraising and events tracking software equipment with two separate notes each payable over a three year period each at an interest rates of 9.068% and 9.50%, respectively. The principal balance at December 31, 2007 on the first note was \$0. The balance of the second note was \$0. ACNO also has an outstanding balance on a note with a local financial institution of \$500,000 at December 31, 2007. At December 31, 2007 interest is paid monthly at a variable rate, 9.00% at December 31, 2007. The \$500,000 note was due on March 4, 2008. A local foundation had guaranteed the loan with its own custodian account held at the same financial institution. Subsequent to year end the maturity of the note was extended until March 4, 2009.

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending</u>	<u>Principal</u>
2008	\$ -
2009	500,000
Total	<u>\$ 500,000</u>

**7. Commitments**

Since 1986, ACNO has entered into annual agreements with the City of New Orleans (the City) relating to the establishment of the Percent For Art Program under which one percent of the cost of most City capital projects is to be used to fund certain works of art. ACNO's ongoing tasks include developing an Annual Art Plan to carry out the implementation of selected art projects, and short-term and long-term coordination and planning for the program. ACNO incurred expenditures of approximately \$88,514 in 2007 for administrative duties performed to accomplish the agreed upon tasks. Included in refundable deposits is approximately \$270,000 for the Percent for Art Program.

**8. Guarantees**

ACNO is the guarantor on two lines of credit held by the Louisiana Artists Guild (the Guild) with total available lines credit of \$2,250,000 of which \$2,155,276 has been drawn by the Guild at December 31, 2006.

The \$2,000,000 line of credit became due on May 4, 2005 and was still outstanding subsequent to year end. The Guild received a waiver from the financial institution deferring the principle balance of \$1,960,561 plus accrued interest through May 15, 2007. The Guild has not made any payments of the total outstanding balance or accrued interest during 2007 or subsequent to year end on the \$2,000,000 line of credit.

**ACCOMPANYING INFORMATION**



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Arts Council of New Orleans

We have audited the financial statements of the Arts Council of New Orleans (ACNO) as of and for the year ended December 31, 2007, and have issued our report thereon dated June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered ACNO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACNO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACNO's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects ACNO's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of ACNO's financial statements that is more than inconsequential will not be prevented or detected by ACNO's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by ACNO's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACNO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management and State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Metairie, Louisiana  
June 30, 2008



**ARTS COUNCIL OF NEW ORLEANS  
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF SUPPORT AND EXPENSES FOR STATE AND PASSED THROUGH GRANTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Louisiana Division of the Arts				
Grant #	Grant #	Grant #	Grant #	Grant #
FY08-333	FY08-362	FY07-316	FY07-110	FY07-208
<b><u>SUPPORT:</u></b>				
Grants received or receivable	\$ 103,000	\$ 495,682	\$ -	\$ -
<b><u>EXPENSES:</u></b>				
Salaries and salary related expenses	\$ 79,000	\$ 42,395	\$ 34,885	\$ 6,182
Regrants	-	423,614	-	-
Operating expenses - general	24,000	22,243	4,562	-
				4,500
Total expenses	\$ 103,000	\$ 488,252	\$ 39,447	\$ 6,182
				\$ 4,500

See independent auditors' report.